9 August 2021

Global Markets Research

Daily Market Highlights

09-Aug: Stellar US job data

US added 943k jobs in July, driving the Dow and S&P 500 to record highs
Dollar strengthened alongside higher treasury yields
Focus shifts to US CPI inflation

- US stocks mostly rose on Friday in response to the solid set of July nonfarm payroll job data. The Dow Jones (+0.4% d/d) S&P 500 (+0.2% d/d) both advanced to their respective record highs, while the tech-focus NASDAQ index edged lower by 0.4% d/d. All three benchmarks managed to close out last week with solid gains, ranging from 0.8 to 1.1% with NASDAQ being the top gainer, as investors generally focused on the robust US corporate earnings despite rising concerns over the spread of the Covid Delta variant worldwide.

- Treasuries yields were boosted by the strong picture of the US labour market which raised confidence that the Federal Reserve may soon announce its QE tapering plan. The Fed had stressed in the past months that the recovery in employment is key to determining the timing of its future policy normalisation. The yield on 10Y UST jumped by 7bps d/d to the 1.30% region. Yields picked up 1-8bps across the curve.

- The dollar rallied alongside the higher yields, strengthening against all its G10 counterparts; the DXY rose the most since mid-June, adding 0.6% d/d to 92.80 on Friday and concluded the week with a 0.7% weekly gain. USD/MYR closed at 4.2190 (+0.06% d/d) on Friday, ending the week on a flat note. In the short-week ahead, we are neutral on MYR, expecting USD/MYR to remain constrained within 4.21-4.25, potentially clinging to 4.22-4.23 levels as markets await the Malaysia 2Q GDP data and official revised macro forecasts. The fresh loosening of restrictions for fully vaccinated persons yesterday is positive news for the economy but sentiment may still be dampened by the dire public health/pandemic situation.

- Gold prices tanked over 2.0% as the dollar strengthened. Futures closed 2.5% d/d lower at $1760.0/oz and thus registered a weekly loss of 2.9%. Crude oil prices resumed declines on Friday and saw their worst weekly performances in nine months amid grave Delta variant-related concerns. Brent crude fell 0.8% to $70.7/barrel and was down by 7.4% w/w for the week; US benchmark WTI slipped 1.2% on Friday and clocked in a 7.7% w/w fall.

- Data flow is lighter heading into the second week of August. The US will release the JOLTS job openings for June. US CPI & PPI data and a series of GDP reports from the UK, Hong Kong, Singapore and Malaysia are in this week's data docket.

US added 943k jobs in July; unemployment fell to 5.4%:

- Employment rose by 943k in July in the US, trumping the consensus forecast of 870k gains. Data for the previous two months were also revised higher to reflect a sharp net upward revision of 119k. The latest reading brought the total job gains to 16.7mil for the past 15 months after the first lockdown in the US and the labour market was now 5.7mil short of jobs from its pre-pandemic levels.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,208.51	0.41
S&P 500	4,436.52	0.17
NASDAQ	14,835.76	-0.40
Stoxx 600	469.97	0.00
FTSE 100	7,122.95	0.04
Nikkei 225	27,820.04	0.33
Hang Seng	26,179.40	-0.10
Straits Times	3,177.18	0.07
KLCI 30	1,489.80	-0.40
FX		
Dollar Index	92.80	0.60
EUR/USD	1.1762	-0.61
GBP/USD	1.3872	-0.42
USD/JPY	110.25	0.44
AUD/USD	0.7356	-0.66
USD/CNH	6.4786	0.26
USD/MYR	4.2192	0.06
USD/SGD	1.3548	0.28
Commodities		
WTI ($/bbl)	68.28	-1.17
Brent ($/bbl)	70.70	-0.83
Gold ($/oz)	1,760.00	-2.50

Source: Bloomberg, HLBB Global Markets Research

- Jobs rose the most in the hospitality & leisure sector as well as in government. Construction and manufacturing also recorded decent gains as economic recovery extended into July.
- The unemployment rate fell sharply to 5.4% in July, from 5.9% in June, much lower compared to the expected level of 5.7%. The slightly higher participation rate (61.7% vs 61.6% prior) which indicates the return of more labours added to the positive stack of data too. Meanwhile, the average hourly earnings rose 0.4% m/m (June: +0.4%) and 4.0% y/y (June: +3.7%), reflecting higher pays amid robust hiring activity and labour shortages.
- The overall July job report beat expectations but the spread of the Delta Variant in the US which made up nearly 97% of its daily infections, serves as the main threat to this positive development.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	91.00-93.00	92.00	91.50	90.00	89.00
EUR/USD	1.17-1.20	1.18	1.19	1.21	1.22
GBP/USD	1.37-1.41	1.40	1.41	1.43	1.45
AUD/USD	0.72-0.75	0.74	0.74	0.76	0.77
USD/JPY	108-111	109.00	108.00	107.00	105.00
USD/MYR	4.21-4.25	4.23	4.20	4.20	4.15
USD/SGD	1.34-1.36	1.35	1.35	1.34	1.33

Policy Rate %	Current	3Q-21	4Q-21	1Q-22	2Q-22
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.10
RBA	0.10	0.10	0.10	0.10	0.10
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.50	1.50	1.50	1.50
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
09/08	CN CPI YoY (Jul)	1.1%
	CN PPI YoY (Jul)	8.8%
	MA Industrial Production YoY (Jun)	26.0%
	EZ Sentix Investor Confidence (Aug)	29.8
	US JOLTS Job Openings (Jun)	9209k
10/08	NZ Card Spending Retail MoM (Jul)	0.9%
	AU NAB Business Confidence (Jul)	11.0
	EZ ZEW Survey Expectations (Aug)	61.2
	US NFIB Small Business Optimism (Jul)	102.5

Source: Bloomberg

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